

## To the Shareholders

The rate of recovery of economic activity in Japan slowed down somewhat during the third quarter of 1975 and this resulted in a corresponding leveling-off in the Tokyo stock market. We believe economic recovery will resume in 1976 for a number of reasons, including the following:

Exports have been recovering since September. This includes increased exports of automobiles for sale in the United States where the outlook is particularly encouraging. Personal consumption expenditures turned upward in October. This is most noticeable in Department Store figures and sale of men's clothing.

Industrial production has also increased, although inventories are still at a relatively high level. Production of basic commodities, such as steel and chemical products, has remained somewhat sluggish but should turn upward by the beginning of 1976.

Recognizing the above, the Fund's research advisor has recommended and the Fund has purchased a substantial interest in NISSAN MOTOR. This is one of Japan's largest manufacturers, ranking second to TOYOTA MOTOR, and is Japan's largest car exporter. The company's Datsun rates among the country's top-three cars in terms of fuel efficiency.

NIPPON PAINT, Japan's oldest paint producer, has also been added to the portfolio. Last year 34% of this company's total sales went to the automotive industry. Nippon Paint is also one of the most progressive companies in its field and should participate fully in the anticipated economic recovery.

Early in December the Japanese yen terminated a decline that had been underway since June and it has now started to rally. The anticipated improvement in exports should assist in strengthening the yen and this should bring about a correspondingly higher value for the Fund's shares as expressed in Canadian dollars, other factors being equal.

The long-term outlook for Japan, with labour rates substantially lower than those in Canada and lower than those in most other industrialized countries, remains most encouraging. We continue to recommend AGF Japan Fund as an ideal vehicle for geographic diversification for both institutional and private portfolios. We welcome and encourage new investors to the Fund at this time.

Edward A. Walker  
President

December 18, 1975

# AGF Japan Fund Ltd. Portfolio as at December 15, 1975

No. of Shares		Market Value
<b>Automobiles (7.6%)</b>		
250,000	Nissan Motor Co.	\$ 367,469
100,000	Toyota Motor Co.	226,951
		<u>\$ 594,420</u>
<b>Auto Parts (0.4%)</b>		
45,000	Pacific Industrial	\$ 35,088
		<u>\$ 35,088</u>
<b>Banks (1.6%)</b>		
154,000	Bank of Tokyo	\$ 122,633
		<u>\$ 122,633</u>
<b>Chemicals (11.1%)</b>		
47,000	Asahi Organic Chemicals Ind.	\$ 83,587
4,700	Asahi Organic Chemicals Ind.—New	7,938
80,900	Gun-Ei Chemical Ind.	155,419
149,500	Mitsubishi Gas Chemical	116,074
7,475	Mitsubishi Gas Chemical—New	5,506
704,000	Mitsui Toatsu Chemicals	228,915
550,000	Shinestsu Chemical Ind.	270,085
		<u>\$ 867,524</u>
<b>Commercial (9.3%)</b>		
400,000	Mitsui & Co.	\$ 603,876
188,000	Nihon Matai	122,885
		<u>\$ 726,761</u>
<b>Construction (2.8%)</b>		
60,000	Hazama-Gumi—New	\$ 89,387
51,500	Raito Kogyo	75,186
5,150	Raito Kogyo—New	7,143
50,000	Taisei Corporation	50,765
		<u>\$ 222,481</u>
<b>Electric Equipment &amp; Electronics (4.3%)</b>		
400,000	Hitachi Ltd.	\$ 237,569
1,000	Pioneer	7,233
100,000	Yokogawa Electric Works	93,568
		<u>\$ 338,370</u>
<b>Finance (6.5%)</b>		
269,000	Daiwa Securities	\$ 213,318
200,000	Nikko Securities	185,144
184,000	Yamaichi Securities	111,113
		<u>\$ 509,575</u>
<b>Foodstuffs (4.1%)</b>		
50,000	Ezaki Glico	\$ 233,918
97,000	Nisshin Oil Mills	85,933
		<u>\$ 319,851</u>

No. of Shares		Market Value
<b>Insurance (1.2%)</b>		
50,000	Tokio Marine & Fire Ins.	\$ 93,568
		<u>\$ 93,568</u>
<b>Machinery (6.4%)</b>		
3,500	Ebara Mfg.—New	\$ 4,738
200	Fujitec	428
200,000	Janome Sewing Machine	136,702
50,000	Kato Works	104,517
200,000	Komatsu	251,504
		<u>\$ 497,889</u>
<b>Metal Industry (7.3%)</b>		
270,000	Mitsui Mining & Smelting	\$ 92,274
740,000	Nippon Metal Ind.	274,996
400,000	Nippon Steel	140,683
160,000	Nippon Steel—New	55,212
		<u>\$ 563,165</u>
<b>Pharmaceutical (8.3%)</b>		
200,000	Daiichi Seiyaku	\$ 268,758
100,000	Fujisawa Pharm.	200,407
43,000	Nippon Chemiphar	85,604
100,000	Shionogi & Co.	94,563
		<u>\$ 649,332</u>
<b>Retail &amp; Specialty Trade (6.3%)</b>		
262,000	Dai-Ichi Katei Denki	\$ 391,192
103,000	Joshindenki	99,792
		<u>\$ 490,984</u>
<b>Miscellaneous (12.5%)</b>		
400,000	Fuji Photo Film	\$ 537,516
509,000	Kurabo Ind.	295,551
173,000	Nippon Paint	126,857
7,500	Olympus Optical	20,331
		<u>\$ 980,255</u>

## SUMMARY OF NET ASSETS

Total Portfolio (89.7%)	7,011,896
Cash and Other Assets (10.3%)	<u>804,909</u>
Total Net Assets	<u>\$ 7,816,805</u>
Net Asset Value Per Share	<u>\$ 6.79</u>



# About This Fund:

This Fund was incorporated for the purpose of providing a convenient way for Canadian investors, both private and institutional, to capitalize on the growth of the dynamic Japanese economy and to participate in the active Tokyo Stock Market. It offers a diversified portfolio of Japanese securities, carefully selected and supervised by Nomura Research Institute in Tokyo, Japan. It offers the advantage of having all investment transactions, dividend receipts, currency transfers and custodian arrangements looked after in a single package and represented by a single security. This Fund's performance to date has been outstanding in comparison to that of other Canadian and U.S. mutual funds. When the Tokyo market moved into high ground in 1973, the Fund moved to a 50% cash position to take advantage of the subsequent reaction in the Tokyo market. The fund and its shareholders benefitted from the revaluation of the Yen in 1971 and would likely benefit again from any future monetary event that strengthened the value of the Japanese currency.

**Directors:**

EDWARD A. WALKER, C.F.A., President  
FLOYD S. CHALMERS, O.C., LL.D., Litt.D.  
C. WARREN GOLDRING  
KIICHIRO KITaura  
ROBERT LAW, Q.C.  
W. ALLAN MANFORD  
MINORU SEGAWA  
HAROLD M. TURNER  
PHILIPPE CASGRAIN, Q.C.  
IWAJIRO NODA  
SAMUEL T. PATON

**Custodian of Securities**

A CANADIAN CHARTERED BANK

**Auditors**

JARRETT, GOOLD & ELLIOTT  
Toronto

**Registrar and Transfer Agent**

A.G.F. MANAGEMENT LIMITED  
Toronto, Ontario

**Branch Registrar and Branch Transfer Agent**

MONTREAL TRUST COMPANY  
Montreal, Winnipeg, Calgary, Vancouver, Halifax

**Distributor and Management Advisor**

CANADIAN SECURITY MANAGEMENT  
LIMITED

**Interim**

**Report**

**December 15, 1975**